A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

JUNE, 1985

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SUMMARY

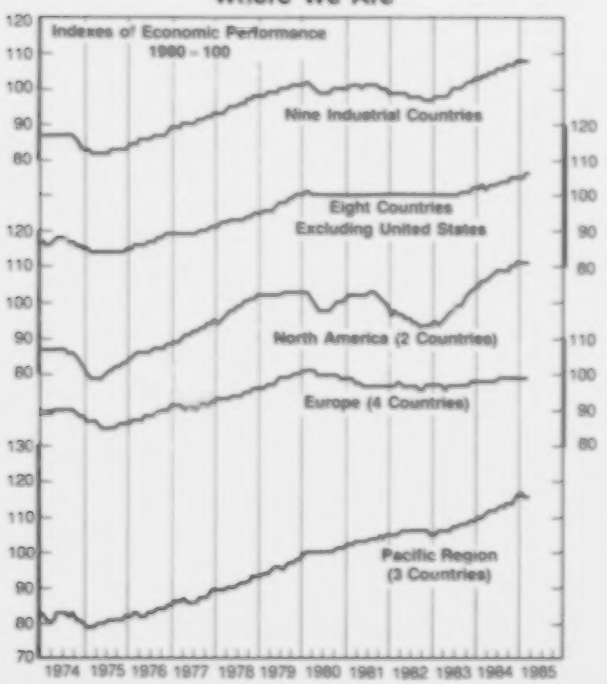
The leading economic indexes continue to point toward moderate expansion in the industrial world. In seven of the nine countries, the leading indexes are rising faster than the performance indexes. In general, this is a sign that the growth rates in the performance indexes will move up in the months ahead. The two countries where this is not true are the United States and Taiwan, R.O.C. In these countries, the leading indexes have yet to signal a decisive end to the sluggish growth pattern of recent months.

Nevertheless, for the nine countries as a group, the picture is more favorable than it was three or six months ago, when the leading indexes in about half the countries were rising less rapidly than their performance indexes. Moreover, the leading indexes themselves have picked up speed. The latest figures show growth rates above 4 percent annually in six countries. Three months ago, only three countries scored better than 4 percent.

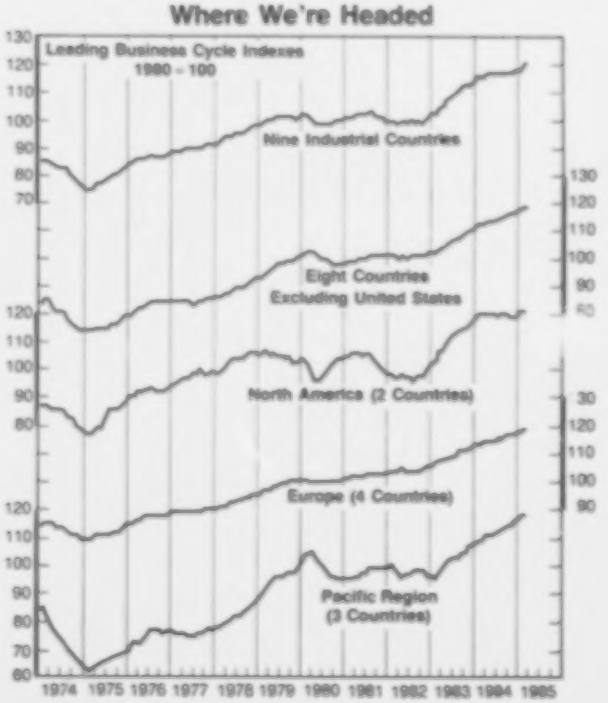
	Ten-year Growth Rate 1969-79	*Leading Business Cycle Indexes Growth Rates**			*Indexes of Economic Performance Growth Rates**			*Current Reading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
	annual rates, percent								
9 countries	4	4	3	4	5	4	3	Expansion slowing	Mar.
8 countries ex. U.S.	4	6	5	6	4	4	3	Expansion continuing	Mar.
Europe (4)	3	5	4	6	3	2	2	Expansion continuing	Mar.
Pacific Region (3)	5	8	8	8	5	6	4	Expansion continuing	Mar.
North America (2)	3	2	0	2	7	5	3	Expansion slowing	Mar.
United States	3	0	1	1	6	4	3	Expansion slowing	Apr.
Canada	4	4	4	5	4	5	4	Expansion continuing	Mar.
West Germany	3	4	4	4	4	3	3	Expansion continuing	Mar.
France	4	8	4	8	0	–2	1	Recovery stalled: leaders rising	Mar.
United Kingdom	2	2	4	5	1	4	3	Recovery continuing	Mar.
Italy	3	3	3	7	6	4	–1	Expansion stalled: leaders rising	Mar./Jan.
Japan	5	8	8	8	5	6	4	Expansion continuing	Mar.
Australia	4	6	6	9	8	7	4	Expansion continuing	Mar.
Taiwan, R.O.C.	10	9	6	4	7	1	5	Expansion continuing	Apr.

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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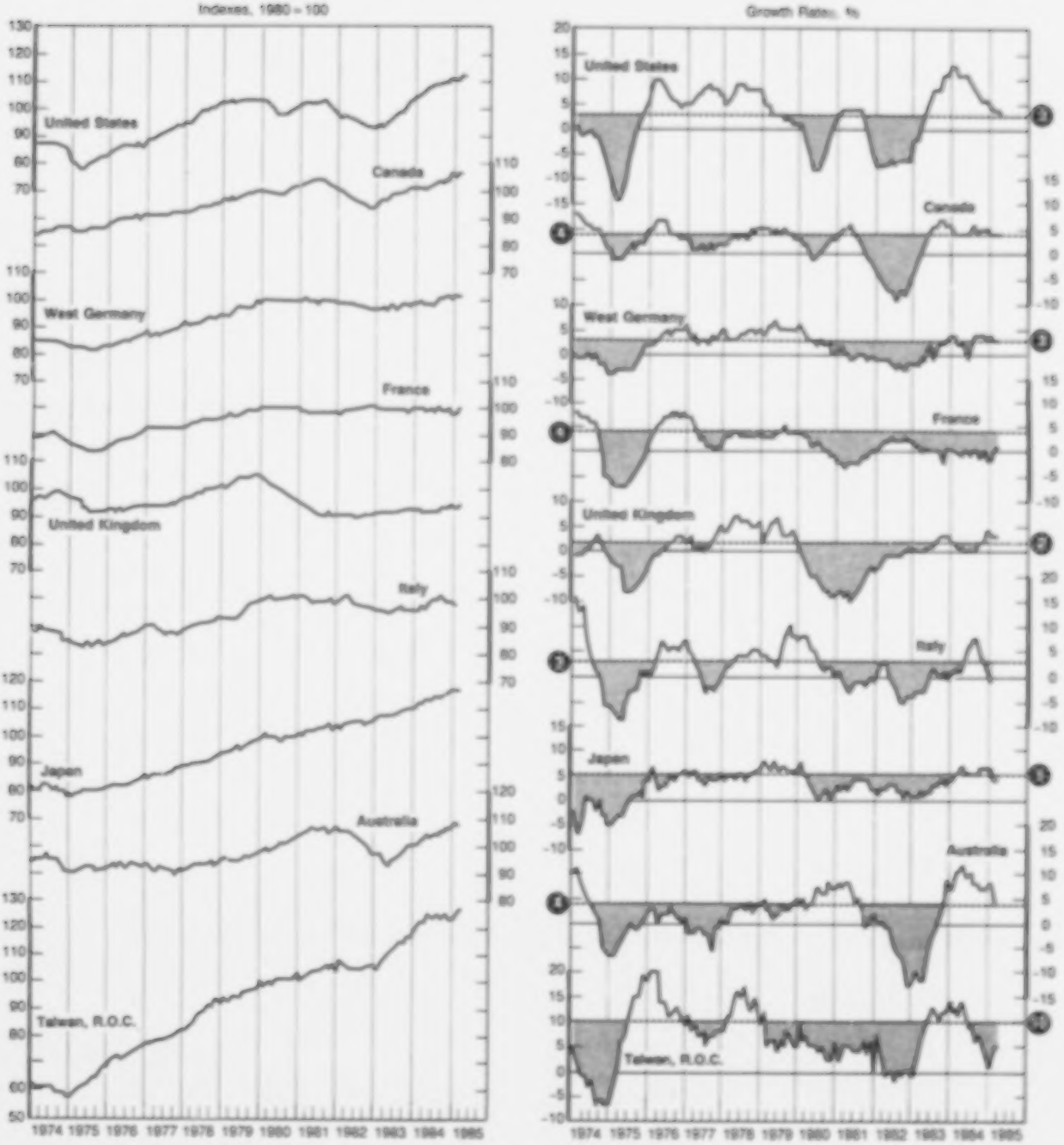
Where We Are

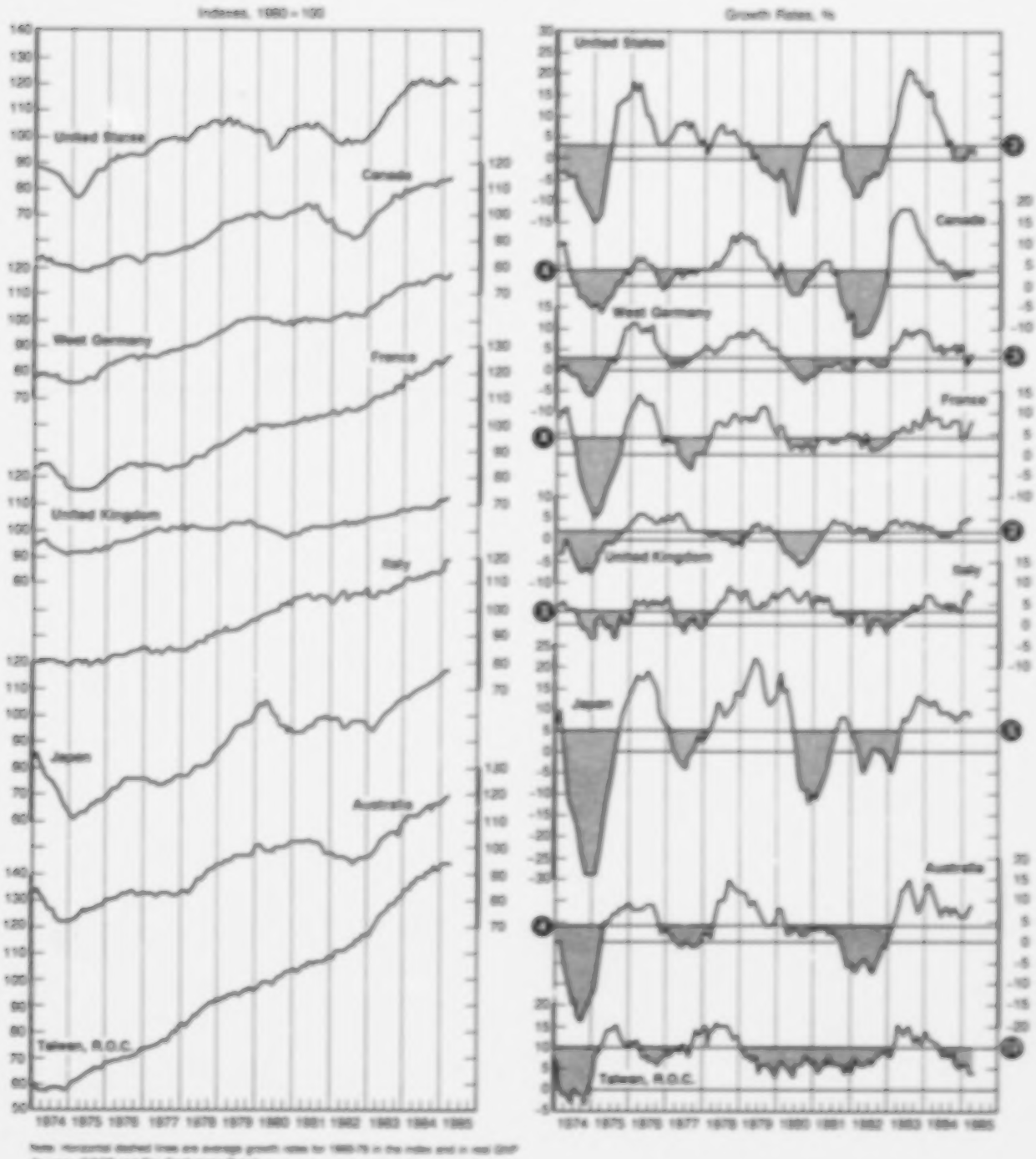
Indexes of Economic Performance



Note: Horizontal dashed lines are average growth rates for 1959-79 in the index and in real GNP.
Sources: OECD and The Conference Board

Where We're Headed

Leading Business Cycle Indexes



Note: Horizontal dashed lines are average growth rates for 1965-79 in the index and in real GNP.

Sources: CIBCR and The Conference Board

RECOVERY COMPARISONS: AN UPDATE

In the December 1983 *Scoreboard* we analyzed our international indexes in terms of historical recession-recovery patterns. They showed how current movements in the indexes for the U.S. and for six other countries (combined) compared to their past behavior during U.S. recoveries. The comparisons led us to forecast that by mid-1984 the U.S. indexes would slow down to a 4 to 5 percent annual growth rate from the double-digit rates then prevailing, since such slowdowns were typical of past recoveries. As it turned out, that is about what happened. The U.S. leading index slowed to a 5.6 percent growth rate in June 1984 and 2.9 percent in July. As usually happens the slowdown in the U.S. performance index came a bit later—it hit 5.7 percent in October 1984 and 4.2 percent in January 1985.

According to the December 1983 analysis, the composite indexes for the six countries excluding the United States were exhibiting their usual tendency to advance during U.S. recoveries, with the leading index moving up ahead of the performance index. Past experience led us to expect that the growth rates in the six-country indexes would level out at about a 7 percent annual rate by mid-1984. The indexes we now have include eight countries (Australia and Taiwan, R.O.C. have been added) but they are not greatly different from the six-country indexes. As of June 1984, the growth rates were 6.6 percent for the leading index and 2.6 percent for the performance index. In the latter, the recovery was not exhibiting its usual strength nor the strength shown by the leading index.

The charts on the next page bring the picture up to date. The U.S. leading index growth rate fell to the zero level at the end of last year but has since moved up into the 1-2 percent range. The U.S performance index growth rate has continued to creep toward lower levels, reaching the 3 percent range in April. These rates are about par for the course for an expansion that is well into its third year. They are not showing signs that the expansion is coming to an end—i.e., they are not signalling an imminent recession.

The eight-country indexes also are sending a moderately encouraging message. The 6 percent growth rate in the leading index is virtually the same as its previous average rate at this stage of a U.S. expansion. The 3 percent rate for the performance index is below average but seems to be holding steady. Continued growth at this pace in other countries will help support the U.S. expansion, and a continuation of the U.S. expansion will help to preserve economic growth in the other industrial countries. In each case, it is a picture of "modest" or "subdued", rather than "vigorous", growth.

By lining up past records of indicators that tell us where we are and where we are headed, recession-recovery patterns enable us to see promptly whether the world's industrial economies are following their usual path or falling out of step, and to pinpoint where this is happening. In future issues of the *Scoreboard* we plan to expand our use of the technique.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

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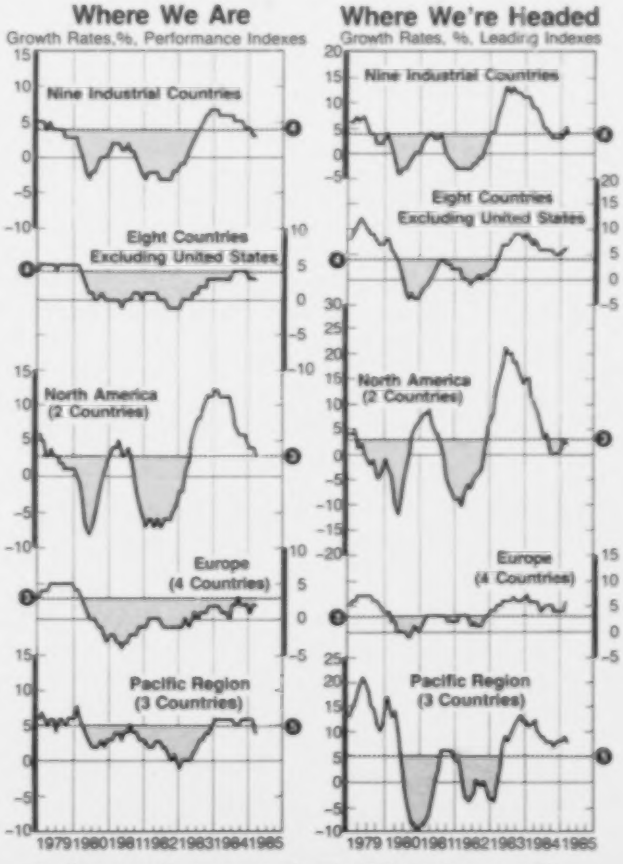
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

INDEXES, NINE COUNTRIES, 1983-85

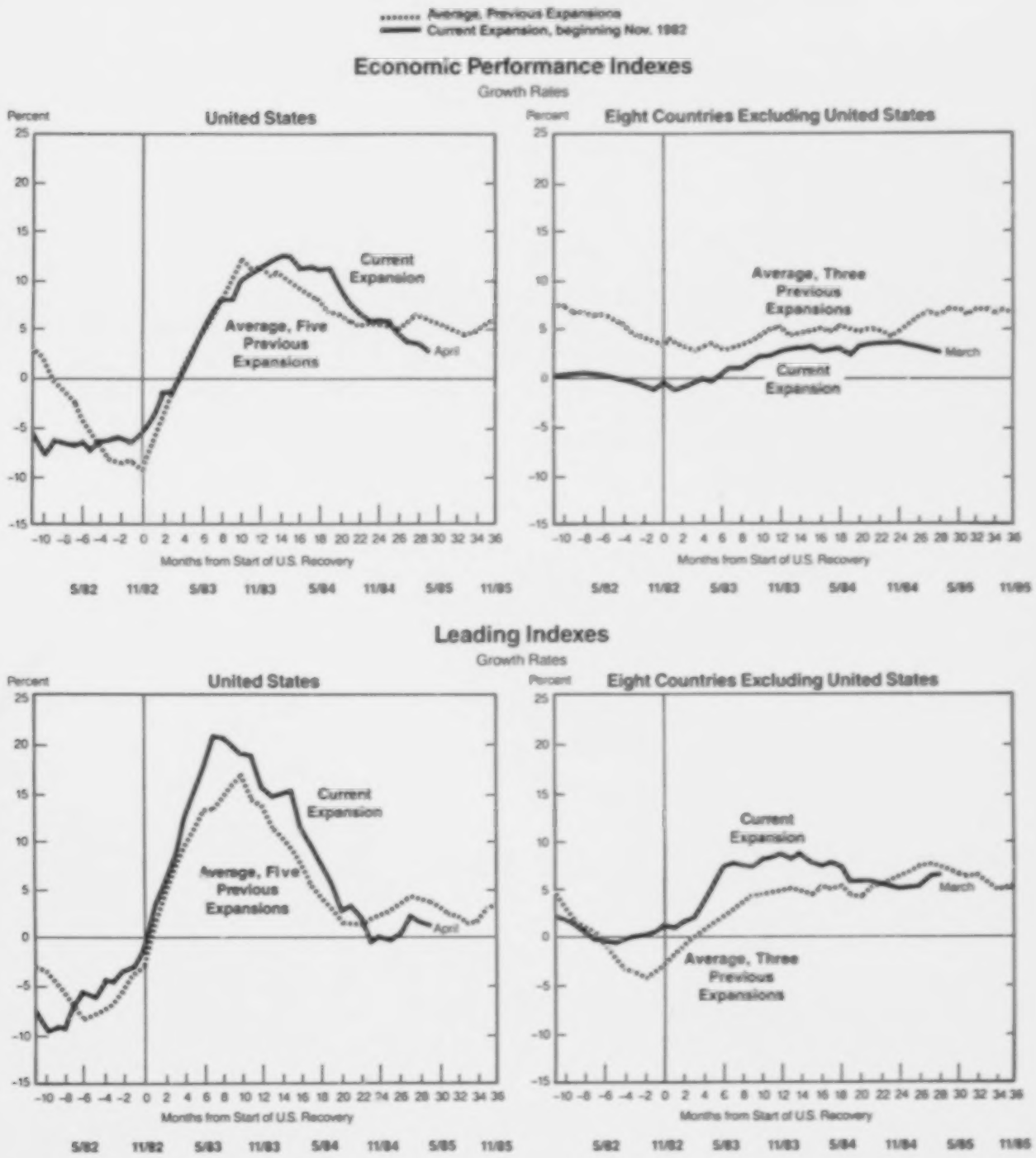
		U.S.		Canada		West Germany		France		Italy		U.K.		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	84	105	119	101	109	99	113	100	118	96	111	93	108	110	107	100	110	119	135
Feb.	84	106	121	101	110	100	113	100	118	96	112	93	108	111	107	100	112	119	135
Mar.	84	106	120	101	110	99	113	100	119	97	111	92	109	112	108	102	112	121	137
Apr.	84	108	121	102	111	99	114	99	120	96	111	92	109	113	110	103	112	121	137
May	84	108	121	102	111	99	115	100	120	98	112	92	109	113	110	104	112	124	139
June	84	109	120	103	112	98	114	99	120	99	111	92	109	113	110	104	112	123	139
July	84	109	120	104	112	100	115	100	121	100	111	92	109	114	111	105	114	123	139
Aug.	84	109	121	104	112	101	116	100	122	100	113	92	109	114	112	105	115	124	141
Sept.	84	110	120	104	112	101	116	100	123	101	112	93	109	114	113	106	114	124	141
Oct.	84	110	119	105	111	102	117	99	123	100	113	94	110	115	113	106	116	124	143
Nov.	84	111	120	105	112	102	116	99	124	99	114	94	110	116	113	107	116	125	142
Dec.	84	111	120	106	113	101	117	98	123	99	114	95	112	117	115	107	116	124	142
Jan.	85	111	121	105	114	102	116	98	125	98	115	94	112	117	116	108	117	123	144
Feb.	85	111	122	106	114	102	116	99	126		117	94	112	117	117	109	118	124	144
Mar.	85	112	121	106	115	102	118	100	127		117	95	113	117	117	108	120	126	144
Apr.	85	112	121															127	144
		Growth Rates, Percent																	
Jan.	84	13	15	5	9	4	8	0	11	1	7	2	3	4	12	7	12	14	14
Feb.	84	13	16	4	7	5	6	0	8	1	7	2	2	5	11	8	14	12	12
Mar.	84	11	11	4	7	2	5	0	9	2	5	1	3	5	11	10	11	13	12
Apr.	84	11	10	4	6	2	6	–1	9	1	4	1	2	6	12	11	9	11	11
May	84	11	8	4	5	2	6	–1	9	3	5	0	2	5	11	12	7	14	11
June	84	11	6	4	6	–1	5	–1	7	5	4	0	1	5	9	9	6	11	10
July	84	9	3	6	5	3	5	0	7	6	3	0	1	5	9	10	8	9	8
Aug.	84	8	4	5	5	4	5	0	7	7	4	0	2	5	9	8	8	9	9
Sept.	84	7	2	4	4	4	4	0	8	7	3	1	2	5	8	8	6	6	8
Oct.	84	6	0	5	2	4	5	–1	7	4	5	2	3	6	8	7	8	7	9
Nov.	84	6	0	5	3	4	4	–1	7	3	4	3	2	6	7	7	7	6	6
Dec.	34	5	0	5	4	3	4	–2	4	2	3	4	4	6	8	7	6	3	5
Jan.	85	4	1	4	4	4	1	–2	6	–1	6	3	4	6	9	8	6	1	6
Feb.	85	4	2	4	4	3	2	0	7		8	3	5	4	9	7	7	2	5
Mar.	85	4	2	4	5	3	4	1	8		7	3	5	4	8	4	9	3	4
Apr.	85	3	1															5	4
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	84	103	114	102	111	105	116	98	115	110	108
Feb.	84	104	115	102	111	106	120	98	113	110	109
Mar.	84	104	115	102	112	106	120	97	113	111	110
Apr.	84	105	116	103	113	107	120	97	114	112	111
May	84	105	116	103	113	108	120	98	114	112	111
June	84	106	116	103	113	109	120	97	114	112	111
July	84	106	116	104	114	109	119	98	115	113	112
Aug.	84	106	117	104	114	109	120	98	115	113	113
Sept.	84	106	117	104	115	109	120	99	116	114	114
Oct.	84	107	117	105	116	110	119	99	116	114	114
Nov.	84	107	117	105	116	110	119	99	116	115	115
Dec.	84	108	118	105	116	111	119	99	117	116	116
Jan.	85	108	118	105	117	111	120	99	118	117	117
Feb.	85	108	119	106	118	111	121	99	118	116	118
Mar.	85	108	120	106	118	111	121	99	119	116	118
		Growth Rates, Percent									
Jan.	84	7	11	3	9	12	15	2	7	5	12
Feb.	84	7	11	3	8	12	15	2	6	6	11
Mar.	84	6	9	3	7	11	11	1	6	6	11
Apr.	84	6	9	3	8	11	9	1	5	6	12
May	84	6	8	3	7	11	8	1	6	6	10
June	84	6	6	3	6	11	6	0	4	6	9
July	84	6	5	4	6	9	3	2	4	6	9
Aug.	84	5	5	4	6	8	4	2	5	5	9
Sept.	84	5	4	4	6	7	2	3	5	5	8
Oct.	84	5	3	4	6	6	0	2	5	6	8
Nov.	84	5	3	4	5	6	0	2	4	6	7
Dec.	84	4	3	4	5	5	0	2	4	6	8
Jan.	85	4	3	3	5	4	1	1	4	6	8
Feb.	85	3	5	3	6	4	3	2	5	5	9
Mar.	85	3	4	3	6	3	2	2	6	4	8
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5


Where We Are
Growth Rates,%, Performance Indexes
Where We're Headed
Growth Rates, %, Leading Indexes
Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: OECD and The Conference Board

Recession-Recovery Patterns During U.S. Business Cycles



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